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MINISTRY OF COMMERCE & INDUSTRY

RESOLUTION

New Delhi, the 31st October 1958

No. 1(18)Tex(A)/58.—The Cotton Textile Industry had been passing through difficulties since the beginning of the year with heavy accumulation of yarn and cloth and aggravated also by a decline in exports. The Government in their Resolution No. 1(9)-Tex(A)/58 dated the 29th May, 1958, appointed a Committee consisting of representative industrialists, labour and other interests under the Chairmanship of the Textile Commissioner to enquire into the problems relating to this industry.

2. The Committee were requested to undertake a rapid study of the problems of the industry with special attention to the patterns of production, modernisation, management, finance and incidence of different elements in the production cost. They were also requested, if necessary, to make a re-assessment of the phased requirements of cloth and yarn. In particular, their views were sought on the causes for the decline in exports and the measures necessary to arrest such a tendency and to promote exports.

3. In the course of their examination, the Committee came to the conclusion that the excise duty structure needed rationalisation and in advance of their report, they made certain recommendations which were accepted by Government and changes in the excise duty structure were announced on the 4th July, 1958.

4. Government have very carefully considered the other recommendations of the Committee since made in their report and wish to take this opportunity of making known their decisions on the principal recommendations contained in the report as set out below.

Difficulties of the Industry

5. Government accept the Committee's view that for the removal of the deep-rooted causes leading to the present state of the industry, there is urgent need for the replacement of out-dated machinery, rationalisation, modernisation and promoting efficiency in management and productivity of labour. They hope that the industry will also take note of the advisability of reconciling the volume of production of the various varieties of cloth with the actual demand. In this connection, the Textile Commissioner will exercise a continuous watch on the general trends of production of the different varieties of cloth and issue such directions as may be necessary to arrest any imbalance of production. The Committee have stressed the need of every unit of the industry producing varieties which can be manufactured efficiently with the equipment and facilities available in that unit.

Demand for cloth and rated capacity

6. After careful consideration and taking into account the rate of economic development, the Committee have assessed that the *per capita* consumption at the end of the Second Five Year Plan will not exceed 17·5 Yds. Rating the mill capacity at about 5100 million Yds. and even providing for the additional requirements to be met mostly from the handloom sector, they have felt that the target for expanded production from handloom sector may have to be restricted to 2100 million yards. The assessment of consumption at 17·5 Yds. per head as made by the Committee seems realistic. On this basis of consumption and production in different sectors, Government consider it unlikely that a situation will arise in which it may become necessary to resort to a regulation of the production of cloth or yarn on the lines recommended by the Committee for adoption in the event of a steep fall in exports or an unprecedented accumulation of yarn. Dealing with the question of surplus yarn, Government have removed all restrictions on exports and have decided to maintain this policy as a long term measure for three years in the first instance.

Marketing and Finance

7. Government accept the recommendations of the Committee about the need for a more continuous and sustained study in the field of marketing intelligence and research for cotton textiles, but this should be the legitimate function of the industry itself. They are aware that the Cotton Textile Fund Committee is already seized of this aspect and hope that, in close co-operation with the industry, the Enquiry Committee's recommendation would be implemented by them.

8. Government accept the view of the Committee that correlated statistical information about stocks and prices from the production to the consumers' ends should be obtained. It is proposed to entrust this work to the Textile Commissioner as part of his normal functions.

9. Government would draw special attention to the observation of the Committee that the total stocks with the entire trade had shrunk considerably and to enable normal free movement of stocks, the trade on their part should co-operate by increasing their holdings and relieve to some extent the pressure on the mills by way of accumulations. Even prior to the receipt of the report, Government had taken up with banking industry the need for allowing adequate and even liberal credit facilities to the industry. The response of the Reserve Bank and the Scheduled Banks has been very helpful indeed and it is proposed to request the Banking industry to extend similar liberal facilities to the trade in order to enable them to increase their holdings to the normal levels.

Closure of Textile Mills

10. The Committee have observed that the findings of the Specialised Wing in the Textile Commissioner's organisation have shown that the main reasons for such closures seem to be the bad condition of the machinery, in many cases neglected continuously without proper attendance and repairs and replacements. Apart from this, various investigations by Committees set up under the Industries (Development and Regulation) Act, 1951, have brought out instances of mismanagement. Government accept the suggestions made by the Committee for enabling the closed mills to reopen and would particularly stress the need for replacing outmoded and obsolete machinery and the proper balancing of uneconomic units. The strengthening of the Survey Organisation in the Textile Commissioner's Office with a view to ensuring a continuous study and regular survey of the marginal and sub-marginal units of the textile industry will also be reviewed in this connection.

Rationalisation and Modernisation

11. The Committee have stressed the importance of rationalisation and modernisation. In particular, dealing with rehabilitation, the Committee have referred to the fact that a large majority of the machines in existence were installed more than 40 years back leading to low production, poor quality of products, engagement of a large number of workers and high cost of production. Government accept the suggestions of the Committee that, for rationalisation, the approach on the lines accepted by the 15th Session of the Indian Labour Conference would be both proper and helpful, although the Committee have pointed out that this process may not be quick enough for some Centres where the margin of excess labour is large.

12. In regard to modernisation, Government agree with the Committee that every case of replacement will have to be judged on its merits both from the stand point of the interests of the national economy as well as the interests of the textile industry. In regard to this question, viewing it from the export promotion angle, the Committee have drawn attention to the point made that our exports will continue to fall steeply unless we export cloth produced on automatic looms, the reason stated being the definite preference in the markets abroad for flawless cloth which can be produced only on automatic looms.

In regard to the installation of such looms, the Committee have felt that a proper psychological climate should be created within the country to facilitate the introduction of automatic looms within a specified period. Government agree entirely with this view, and hope that with the co-operation of all concerned, it should be possible to evolve a simple procedure for such replacement on a phased programme in an accelerated manner.

Management

13. It should be a matter of concern that the Working Parties of Committees set up to enquire into the conditions of the Industry and the Committees that have been set up under the Industries (Development & Regulation) Act, 1951, as also this Enquiry Committee, should have noticed in an appreciable number of cases that the management had contributed in a large measure to the steady deterioration of certain units, leading often to their closure. It is hoped that the managements will take note of these observations so that the need for intervention by Government is avoided.

Committees

14. Government accept the suggestion of the Committee that an Advisory Committee consisting of all interests and having representatives from all the important textile centres should be set up to advise the Textile Commissioner on important matters affecting the working of the units of the textile industry as a whole or of any unit in particular. Government propose to set up such a Committee shortly as also a Rationalisation Sub-Committee for advising on policies and principles governing rationalisation, assisted by Regional Sub-Committees for dealing with individual schemes of rationalisation. It is, however, not considered necessary that a Sub-Committee should be set up for advising on principles and procedure for deciding applications for import of machinery.

15. Government share the confidence of the Committee that, with the help and advice rendered by the Advisory Committee, problems facing individual units would be attended to satisfactorily and the management of marginal mills helped to improve their organisation. For dealing with extreme cases, however, the Committee have suggested the setting up of an autonomous Corporation intended to take over the management of mills, where such action is considered necessary after formal enquiries have been made under the Industries (Development and Regulation) Act, 1951. Government have given careful consideration to this recommendation and their views on this question are set out in the following paragraph.

The various suggestions made by the Committee in regard to the replacement of old and out-moded machinery, regular surveys, proper and timely advice and relief, financial assistance from the various agencies etc., have been accepted by Government. In the circumstances, it should be possible for even the closed mills if they are properly managed to restart working. The steps proposed to be taken should also help the mills to avoid closure in future. In this context, a Corporation on the lines recommended by the Committee, if set up, would have to concern itself mainly with the management of only such units as have been found incapable of being run economically despite the various forms of assistance enumerated above. The advisability of establishing a Corporation merely for running units of this nature, is open to question, particularly when it is stressed by the Committee itself that such a Corporation should not enjoy any preferential treatment as compared to well run mills under private management. Further, the intention of Government clearly is to assist the various mills that may be in difficulties, and thus to help to stabilise their position. Attention will, therefore, have to be concentrated on this aspect of Government's policy rather than on the creation of a Corporation for the taking over of such units, which may tend to create the impression that if things do not go well, there is a Corporation to fall back upon. It is not suggested, however, that there will be no cases where intervention by Government may be called for. If there are any such cases it should be possible for Government to

take adequate action under section 18-A of the Industries (Development & Regulation) Act, 1951, and if a board of management is set up under that section, care will be taken to ensure that it consists of experienced and competent persons. Government do not, therefore, consider that in the circumstances as they exist today, the setting up of an autonomous Corporation for the purpose envisaged by the Committee is either necessary or desirable. In this connection Government would like to express the hope that the Textile industry which is not merely one of the oldest in the country but also one of the most important, would endeavour in every way within its power to remedy defects wherever they may be noticed. Government on their part would be willing to consider with sympathy any requests for assistance in the achievement of the aforesaid objective.

The suggestion made about expediting liquidation proceedings to avoid protracted idle capacity and unemployed labour will, however, be examined.

Sales Tax

16. In regard to the observations made by the Committee on the levy of sales tax on yarn and other materials by the State Governments after the replacement of States' sales tax on cloth by the Central excise levy, as also other levies by the States, Government do not consider that the discretion of the State Governments in the matter should be fettered. The practice in regard to the grant of concessions on the supply of raw materials to Industry varies from State to State and in the implementation of the scheme of replacement of sales tax by additional duties of excise, it was never contemplated that the State Governments should maintain the *Status quo* in regard to these concessions particularly in view of the restrictions placed under Section 14 of the Central Sales Tax Act, 1958.

17. Government have taken note of the other recommendations made by the Committee. Some of these, such as adjustment of printing quota to needy mills, relaxation of production control orders and regulation of yarn and cloth production, will be examined and action taken by the Textile Commissioner, in consultation with Government where necessary, having due regard to the interests of the decentralised sector.

Exports of cloth and yarn

18. The need for promoting exports of cloth and yarn is constantly engaging the careful attention of Government. Several facilities for import of necessary materials and for the modernisation and rehabilitation of equipment have just been given to exporting mills to enable them to export textiles of high quality.

19. As stated by the Committee, the problems relating to the Industry are manifold and this industry is one of the major industries very susceptible to any changes in the economic climate of the country. A Cotton Textile Consultative Board, with the Minister for Commerce as Chairman, has been set up to provide a forum for consultation with the industry from time to time.

20. Government wish to record their appreciation of the valuable work done by the Chairman and members of the Committee, within such a short period, in presenting a clear picture of the current problems of the industry and making suggestions for dealing with them.

ORDER

Ordered that a copy of the Resolution be communicated to all concerned. Ordered also that the Resolution be published in the Gazette of India Extraordinary for general information.

S. RANGANATHAN, Secy.